

Hearing Date and Time: August 10, 2011 at 10:00 a.m. (prevailing Eastern Time)
Objection Deadline: August 3, 2011 at 4:00 p.m. (prevailing Eastern Time)

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Attorneys for the Debtor and Debtor in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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<i>In re</i>	:
	:
	: Chapter 11
AMBAC FINANCIAL GROUP, INC.,	:
	:
Debtor.	: Case No. 10-15973 (SCC)
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**NOTICE OF DEBTOR’S MOTION FOR ENTRY OF AN ORDER
FURTHER EXTENDING ITS EXCLUSIVE PERIOD FOR SOLICITING
VOTES TO ACCEPT OR REJECT A CHAPTER 11 PLAN**

PLEASE TAKE NOTICE that Ambac Financial Group, Inc., as debtor and debtor in possession in the above-captioned chapter 11 case (the “Debtor”), has filed the attached *Debtor’s Motion for Entry of an Order Further Extending its Exclusive Period for Soliciting Votes to Accept or Reject a Chapter 11 Plan* (the “Motion”) with the United States Bankruptcy Court for the Southern District of New York (the “Court”).



PLEASE TAKE FURTHER NOTICE that the Court shall hold a hearing (the “Hearing”) in order to consider the relief requested by the Debtor in the Motion on **August 10, 2011, at 10:00 a.m. (prevailing Eastern Time)** before the Honorable Shelley C. Chapman, United States Bankruptcy Judge, in Courtroom 610 of the Court, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Motion must (i) be in writing, (ii) conform to the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules for the Southern District of New York, and the *Amended Notice, Case Management, and Administrative Procedures* approved by the Court [Docket No. 75] (the “Case Management Procedures”), (iii) state with particularity the legal and factual basis for the objection, and (iv) be filed with the Court, together with a proof of service, and served so as to be actually received on or before **August 3, 2011, at 4:00 p.m. (prevailing Eastern Time)** upon the following parties: (a) the chambers of the Honorable Shelley C. Chapman, United States Bankruptcy Judge, One Bowling Green, Courtroom 610 of the Court, New York, New York 10004; (b) counsel for the Debtor, Dewey & LeBoeuf LLP, Attn: Jeffrey Chubak, 1301 Avenue of the Americas, New York, New York 10019; (c) counsel for the statutory committee of creditors, Morrison & Foerster LLP, Attn: Anthony Princi, 1290 Avenue of the Americas, New York, New York 10104; (d) counsel for the Office of the Commissioner of Insurance of the State of Wisconsin, Foley & Lardner LLP, Attn: Frank W. DiCasteri, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; (e) the Office of the United States Trustee for the Southern District of New York, Attn: Brian S. Masumoto, 33 Whitehall Street, 21st Floor, New York, New York, 10004; and (f) all entities which have filed a written request for notice with the Court pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time by the Debtor without further notice other than by such adjournment being announced in open Court or by a notice of adjournment filed with the Court and served upon the Master Service List and 2002 List (as such terms are defined in the Case Management Procedures) and parties which have filed objections to the Motion.

PLEASE TAKE FURTHER NOTICE that if no objection to the Motion is timely filed and served, the Court may enter an order granting the relief requested in the Motion without further notice or opportunity to be heard afforded to any party.

Dated: July 26, 2011
New York, New York

Respectfully Submitted,

/s/ Allison H. Weiss
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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re :
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AMBAC FINANCIAL GROUP, INC., : Chapter 11
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Debtor. : Case No. 10-15973 (SCC)
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**DEBTOR'S MOTION FOR ENTRY OF AN ORDER FURTHER
EXTENDING ITS EXCLUSIVE PERIOD FOR SOLICITING
VOTES TO ACCEPT OR REJECT A CHAPTER 11 PLAN**

TO THE HONORABLE SHELLEY C. CHAPMAN,
UNITED STATES BANKRUPTCY JUDGE:

Ambac Financial Group, Inc., as debtor and debtor in possession in the above-captioned chapter 11 case (the "Debtor"), by and through its undersigned counsel, hereby submits this motion (the "Motion") and respectfully represents:

Jurisdiction

1. This Court has jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2. The Debtor is a holding company and a Delaware corporation. The Debtor's principal operating subsidiary, Ambac Assurance Corporation ("AAC"), is a Wisconsin-domiciled financial guarantee insurance company whose principal business strategy is to increase the residual value of its financial guarantee business by mitigating losses on poorly performing transactions (via the pursuit of recoveries in respect of paid claims, commutations of policies and repurchases of surplus notes issued in respect of claims).

3. On November 8, 2010 (the "Commencement Date"), the Debtor commenced a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtor continues to operate its businesses and manage its properties as debtor in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

4. On November 17, 2010, the Office of the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed a statutory committee of creditors [Docket No. 27] (the "Committee"). No trustee or examiner has been appointed in the Debtor's chapter 11 case.

5. On February 28, 2011, the Court entered an order [Docket No. 194] (the "First Exclusivity Order") pursuant to Bankruptcy Code section 1121(d) extending the Debtor's exclusive period for filing a chapter 11 plan through July 6, 2011, and soliciting votes to accept or reject a chapter 11 plan (the "Solicitation Exclusivity Period") through September 6, 2011,

without prejudice to the Debtor's right to seek additional extensions of the exclusive periods to file or a solicit votes to accept or reject a chapter 11 plan.

6. On July 6, 2011, the Debtor filed the *Plan of Reorganization of Ambac Financial Group, Inc.* [Docket No. 384] (as it may be amended, the "Plan") and on July 8, 2011, the Debtor filed the *Disclosure Statement of Ambac Financial Group, Inc.* [Docket No. 387] (as it may be amended, the "Disclosure Statement"). Both the Plan and the Disclosure Statement were formulated with input from the Committee and counsel to an informal group of unaffiliated holders of the Debtor's notes (the "Informal Group"). The Plan included an option whereby AAC, the Office of the Commissioner of Insurance for the State of Wisconsin as regulator of AAC and the Commissioner of Insurance for the State of Wisconsin as rehabilitator (either or both the Office of the Commissioner of Insurance for the State of Wisconsin and the Commissioner of Insurance for the State of Wisconsin, as applicable, shall be referred to herein as "OCI") of the Segregated Account of AAC (the "Segregated Account") could accept a global settlement of disputes among the Debtor, AAC and OCI (the "Plan Settlement"), including, *inter alia*, settlement of certain issues related to sharing of net operating losses ("NOLs") of the consolidated tax group of which the Debtor is the parent and AAC is a member (the "Ambac Consolidated Group"). The Plan and the Disclosure Statement specified July 29, 2011, as the deadline for AAC and OCI to accept the Plan Settlement (the "Plan Settlement Deadline").

7. Also on July 6, 2011, mediation commenced in respect of (i) the adversary proceeding filed by the Debtor against the Department of Treasury – Internal Revenue Service (the "IRS") regarding the characterization of the Ambac Consolidated Group's NOLs and certain tax refunds received in respect thereof (the "Tax Refunds"), Adv. Pro. No. 10-4210 (SCC) (the "IRS Adversary Proceeding"), and (ii) the proofs of claim filed by the IRS in the Debtor's

chapter 11 case alleging approximately \$807 million in priority tax claims (the “IRS Claims”) to which the Debtor has objected [Docket No. 311]. Because of the impact the disputes with the IRS will have upon the Debtor’s estate, AAC and the Segregated Account, the IRS, the Debtor, AAC, the Committee and OCI participated in the mediation.

8. Additionally on July 6, 2011, the New York City Department of Finance (the “NYCDF”) filed a response to the Debtor’s objection to the NYCDF’s proof of claim alleging a priority tax claim of \$116,817,949.00 (the “NYCDF Claim,” and together with the IRS Claims, the “Alleged Priority Tax Claims”).

9. On July 12, 2011, the Debtor filed its *Motion for Order (i) Approving the Disclosure Statement, (ii) Establishing Solicitation, Voting, and Tabulation Procedures, (iii) Appointing a Voting Agent, and (iv) Scheduling a Confirmation Hearing and Approving the Form and Manner of Notice Thereof* [Docket No. 394] (the “Disclosure Statement Motion”), which scheduled a hearing to consider the Disclosure Statement Motion (the “Disclosure Statement Approval Hearing”) on August 12, 2011, and proposed to commence soliciting votes to accept or reject the Plan no later than August 19, 2011.

10. After several days of mediation with the IRS, the Debtor, the Committee and OCI discussed with the mediator, retired Judge James Robertson, the possibility of mediating the issues related to the Plan Settlement, with a view towards agreement on the terms of a consensual Plan including the resolution of disputes with the IRS. Due to scheduling issues, such mediation could not occur prior to the Plan Settlement Deadline.

11. On July 21, 2011, the Debtor, the Committee, AAC and OCI agreed that the Debtor would adjourn the Disclosure Statement Approval Hearing, thereby delaying the solicitation process. Recognizing that the delay in solicitation will result in additional costs to

the Debtor's estate, OCI approved a payment to the Debtor in the amount of \$2.0 million in cash or cash equivalents (the "Payment") to be made either by AAC or pursuant to the secured note issued by AAC which runs in favor of the Segregated Account. The parties further agreed that if the terms of a consensual Plan are subsequently agreed upon by and among OCI, AAC, the Debtor and the Committee, the Payment shall be credited towards any agreed obligation for AAC to reimburse the Debtor for a percentage share of the fees and disbursements incurred in the IRS Adversary Proceeding. The agreement further provides that it is without prejudice of any kind with respect to the rights, remedies and positions of the Debtor, AAC and OCI under, or pertaining to, any intercompany agreements. Additionally, the Debtor, the Committee, AAC and OCI agreed to schedule the mediation to August 16 and 17, 2011, the earliest date available for OCI.

12. On July 25, 2011, to facilitate continuing negotiations and the upcoming mediation with OCI and the Committee, the Debtor filed a *Notice of Adjournment of Hearing on the Debtor's Disclosure Statement and Solicitation Materials* [Docket No. 444], adjourning to September 8, 2011, the Disclosure Statement Approval Hearing.

13. The Debtor intended to file motions to estimate the Alleged Priority Tax Claims on or before July 27, 2011. Because of the Disclosure Statement Approval Hearing, however, and in light of (i) productive mediation sessions with the IRS regarding the IRS Claims and (ii) coordination with the Committee that will hopefully lead to productive discussions with the NYCDF regarding the NYCDF Claim, the Debtor believes that consensual resolutions of the Alleged Priority Tax Claims are possible prior to the new date for the Disclosure Statement Approval Hearing. If progress with respect to the Alleged Priority Tax Claims is not made,

however, the Debtor intends to file motions to estimate the Alleged Priority Tax Claims to be heard on September 8 and/or 9, 2011.

14. If the Disclosure Statement Motion is approved at the Disclosure Statement Hearing on September 8, 2011, solicitation of votes to accept or reject the Plan is anticipated to begin no later than September 15, 2011.

Relief Requested

15. As noted above, the Debtor's Solicitation Exclusivity Period is currently set to expire on September 6, 2011. To enable mediation of the Plan Settlement among the Debtor, OCI and the Committee: (i) the Disclosure Statement Approval Hearing was adjourned to September 8, 2011; (ii) voting on the Plan will not be completed until October 25, 2011; and (iii) a hearing in respect of confirmation of the Plan will not occur until November 8, 2011. Accordingly, by this Motion, the Debtor requests entry of an order, substantially in the form attached hereto as Exhibit A (the "Order"), pursuant to Bankruptcy Code section 1121(d), further extending the Solicitation Exclusivity Period 90 days through and including December 5, 2011, without prejudice to the Debtor's right, should it become necessary, to seek and obtain further extensions of the Solicitation Exclusivity Period.

Basis for Relief Requested

I. Legal Standard for Extending the Solicitation Exclusivity Period

16. Pursuant to Bankruptcy Code section 1121(d), a court may extend a debtor's exclusive period for soliciting votes on a plan upon a demonstration of "cause." *See* 11 U.S.C. § 1121(d)(1) ("On request of a party in interest made within the respective periods specified in subsections (b) and (c) of this section and after notice and a hearing, the court may for cause reduce or increase the ... 180 day period referred to in this section" for soliciting votes to accept or reject a chapter 11 plan from impaired creditors.

17. Although the Bankruptcy Code does not define “cause,” the legislative history of Bankruptcy Code section 1121 indicates that this standard is intended to be flexible and that its purpose is to balance the competing interests of a debtor and its creditors. *See* H.R. Rep. No. 95-595 at 231, 232 (1978), as reprinted in 1978 U.S.C.C.A.N. 5963, 6191; *In re Ames Dep’t Stores, Inc.*, No. M-47, 1991 WL 259036, at *3 (S.D.N.Y. Nov. 25, 1991) (“The purpose of the Bankruptcy Code’s exclusivity period is to allow the debtor flexibility to negotiate with its creditors”).

18. Courts in this district have held that whether cause exists to extend the debtor’s exclusive periods for filing or soliciting votes to accept or reject a chapter 11 plan should be based on the totality of circumstances. *See, e.g., In re Adelpia Commc’ns Corp.*, 352 B.R. 578, 586-587 (Bankr. S.D.N.Y. 2006); *In re McLean Indus., Inc.*, 87 B.R. 830, 834 (Bankr. S.D.N.Y. 1987); *In re Lionel L.L.C.*, No. 04–17324, 2007 WL 2261539, at *6 (Bankr. S.D.N.Y. Aug. 3, 2007).

19. Specifically, courts have considered the following non-exhaustive factors as relevant in considering whether to grant a motion to extend a debtor’s exclusive periods: (i) the size and complexity of the debtor’s case; (ii) the necessity for sufficient time to negotiate a chapter 11 plan; (iii) the existence of good faith progress towards reorganizing; (iv) whether the debtor is paying its bills as they become due; (v) whether the debtor has demonstrated reasonable prospects for filing a viable plan; (vi) whether the debtor has made progress in its negotiations with creditors; (vii) the amount of time that has elapsed in the case; (viii) whether the debtor is not seeking to extend exclusivity to pressure creditors to accede to the debtor’s reorganization demands; and (ix) the existence of an unresolved contingency. *Adelpia*, 352 B.R. at 587 (listing factors); *McLean*, 87 B.R. at 834 (same); *Lionel*, 2007 WL 2261539, at *6 (same).

II. Cause Exists to Extend the Solicitation Exclusivity Period

20. As described below, all of the factors which the Court must consider in determining whether to grant an extension of the Solicitation Exclusivity Period weigh heavily in the Debtor's favor.

21. The Debtor's Case is Sufficiently Large and Complex to Warrant Extension of the Solicitation Exclusivity Period. The Debtor's chapter 11 case is undeniably large and complex, a fact that alone warrants granting the Debtor's request for a further extension of the Solicitation Exclusivity Period. *See, e.g., In re Texaco Inc.*, 76 B.R. 322, 325-27 (Bankr. S.D.N.Y. 1987) (cause existed to grant the debtor's request to extend exclusivity period based on the size and complexity of the case alone); *In re Manville Forest Prods. Corp.*, 31 B.R. 991, 995 (S.D.N.Y. 1983) ("sheer mass, weight, volume and complication of the [debtors'] filings undoubtedly justify a shakedown period"). The Debtor has approximately *\$1.7 billion* in outstanding liabilities. In addition, the Debtor's case is very complex and negotiations are ongoing towards a consensual deal among all stakeholders. Even with the adjournment of the Disclosure Statement Approval Hearing, the Debtor intends to pursue confirmation and consummation of its Plan on an expedited basis. However, it must resolve certain critical issues before it can do so and faces a number of key deadlines in connection therewith:

(i) The Debtor Has Yet to Resolve its Objections to Alleged Priority Claims of Nearly \$1 Billion:

(a) IRS Claims:

- (1) The Claims: The IRS Claims allege against the Debtor priority tax claims of approximately \$807 million, to which the Debtor has filed an objection.
- (2) IRS Adversary Proceeding: The dispute between the Debtor and the IRS concerning the IRS Claims hinges on the outcome of the IRS Adversary Proceeding. On January 13, 2011, the IRS filed a motion with the United States

District Court for the Southern District of New York (the “District Court”) to withdraw the reference of the IRS Adversary Proceeding to this Court pursuant to 28 U.S.C. § 157(d), Case No. 11-cv-00270 (PGG) [District Court Docket No. 1]. The Debtor has opposed [District Court Docket No. 4], and the District Court has not yet ruled upon, the IRS’s motion. The scheduling order entered by this Court on March 2, 2011 [Adv. Pro. Docket No. 39] (the “Scheduling Order”), requires that fact discovery be completed by August 5, 2011, and that all dispositive motions in the IRS Adversary Proceeding be filed by September 16, 2011. On June 15, 2011, the IRS and the Debtor agreed to extend the deadlines to complete fact discovery and file dispositive motions to September 9, 2011, and September 23, 2011, respectively.

- (3) Mediation: As discussed above, the Debtor and the IRS have submitted their dispute to non-binding mediation. The mediation, which commenced on July 6, 2011, remains ongoing. The Debtor hopes, given the adjournment of the Disclosure Statement Approval Hearing, to reach a consensual resolution with the IRS.

(b) NYCDF Claim:

- (1) The Claim: The NYCDF Claim against the Debtor alleges a priority tax claim of approximately \$117 million. The Debtor has filed an objection to the NYCDF Claim [Docket No. 278]. On July 6, 2011, the NYCDF filed a reply to the Debtor’s objection [Docket No. 364].
 - (2) Negotiation: As discussed above, the Debtor hopes, given the adjournment of the Disclosure Statement Approval Hearing, to engage the NYCDF in settlement discussions and attempt to resolve consensually the NYCDF Claim.
- (ii) Negotiations with OCI: On July 7, 2011, in response to the filing of the Debtor’s Plan, OCI announced that it would “vigorously contest” effectuation of the Plan. *See* OCI Press Release dated July 7, 2011, <http://www.ambacpolicyholders.com>. OCI is participating in the mediation concerning the IRS Adversary Proceeding and has agreed to participate in mediation regarding the Plan Settlement. The Debtor’s negotiations with OCI concerning the Plan remain ongoing.
 - (iii) Wisconsin Proceedings: On January 24, 2011, the Circuit Court of Dane County, Wisconsin, entered an order (the “Confirmation Order”) confirming a plan of rehabilitation (the “Rehabilitation Plan”) with respect

to the Segregated Account. As described in greater detail in the Disclosure Statement, the Rehabilitation Plan provides for the issuance of certain surplus notes. Various parties which opposed the Rehabilitation Plan, including the IRS, have appealed the entry of the Confirmation Order. In addition, because the issuance of surplus notes pursuant to the Rehabilitation Plan could potentially result in the occurrence of a “deconsolidation event” or the recognition of substantial cancellation-of-debt income for tax purposes, OCI is considering substantial amendments to the Rehabilitation Plan, and potentially, the initiation of rehabilitation proceedings with respect to AAC. Any and all developments relating to the Rehabilitation Plan and AAC will require the full attention of the Debtor.

For all of these reasons, the Debtor submits that the first factor relevant to determining whether cause exists to extend the Solicitation Exclusivity Period – complexity and size – weighs substantially in favor of granting the Debtor’s requested extension.

22. The Debtor is Continuing to Make Good Faith Progress Towards Reorganizing.

The Debtor filed the Plan prior to the expiration of its exclusive period for filing such Plan and has not requested herein an additional extension of such exclusive period. Even under the expedited confirmation schedule initially proposed in the Disclosure Statement Motion, voting on the Plan would not have been completed until after expiration of the current Solicitation Exclusivity Period. Moreover, the adjournment of the Disclosure Statement Approval Hearing will delay completion of voting on the Plan until late October 2011, and was the result of the good faith progress towards mediation of a consensual resolution regarding the Debtor’s reorganization. Consequently, to continue this process, the Debtor requests a further extension of the Solicitation Exclusivity Period.

23. The Debtor is Paying its Bills as They Become Due. The Debtor has been paying, and will continue to pay, its postpetition debts as they become due. The Debtor has sufficient liquidity to carry on the normal course of its business during the requested extension of the Solicitation Exclusivity Period and providing the Debtor a meaningful chance to solicit votes to

accept or reject its Plan through the requested extension will not prejudice the Debtor's creditors or other parties in interest.

24. The Debtor Has Filed a Viable Plan. The Debtor has not only demonstrated reasonable prospects for filing a viable Plan, it *has* filed a Plan that is confirmable, and if necessary, the Debtor will amend the Plan as appropriate to ensure that this Court may confirm the same.

25. The Debtor Has Made Substantial Progress in its Negotiations with Creditors. As noted above, the Plan was formulated with input from the Committee and counsel to the Informal Group. The main impediments to confirming the Plan are (i) the pending objections to, and anticipated motions to estimate, the Alleged Priority Tax Claims and (ii) negotiations and mediation with AAC and OCI (which is not even a creditor of the Debtor).

26. As further discussed below, significant progress has been made towards resolving the Alleged Priority Tax Claims, and further progress is expected in the short term. Additionally, in August 2011, mediation is expected to commence related to the Plan Settlement which the Debtor hopes will resolve open issues with AAC and OCI.

27. Relatively Little Time Has Elapsed in This Case. Bankruptcy Code section 1121(d)(2) provides that the exclusivity period for filing a chapter 11 plan may be extended to up to 18 months after a petition has been filed and that the exclusivity period for soliciting votes to accept or reject a chapter 11 plan may be extended to up to 20 months after a petition has been filed. 11 U.S.C. § 1121(d)(2). In cases of this size, it is not uncommon to grant extensions of the exclusivity period which are substantially longer than that which the Debtor requests. Given that (i) the Debtor's case is less than nine months old, (ii) by this Motion, the Debtor is not requesting a further extension of its exclusive period for filing a Plan, and (iii) the Debtor has made

substantial progress to date, the Debtor submits that an extension of the Solicitation Exclusivity Period is appropriate.

28. The Debtor Will Not Use an Extension of the Solicitation Exclusivity Period to Pressure Creditors to Accede to the Debtor's Demands. The Debtor will not use an extension of the Solicitation Exclusivity Period in order to improperly pressure creditors, but rather, will use such extension to continue negotiating in good faith with OCI, AAC, the Committee, counsel to the Informal Group, the IRS and the NYCDF. Pursuant to the Plan, the IRS and the NYCDF will be unimpaired to the extent that the Alleged Priority Tax Claims are allowed. The adjournment of the Disclosure Statement Approval Hearing will give OCI and AAC more time to fully consider the Plan Settlement prior to making a decision thereon, and will enable the Debtor, the Committee, AAC and OCI to engage in mediation in connection with the Plan Settlement.

29. Extending the Solicitation Exclusivity Period is Required to Resolve Contingencies Relating to the Alleged Priority Tax Claims and Mediation in respect of the IRS Claims. As noted above, the Debtor has yet to resolve its objections to the Alleged Priority Tax Claims. Given the size of these claims and the treatment which must be afforded to such claims if and to the extent they are allowed, the Debtor cannot consummate its Plan absent their resolution. Therefore, the Debtor submits that a further extension of the Solicitation Exclusivity Period is warranted insofar as it will allow the Debtor additional time to negotiate and mediate with the IRS and the NYCDF toward resolution of their respective claims.

30. Moreover, such extension will enable parties to move forward with estimation of the Alleged Priority Tax Claims, to the extent not consensually resolved, for all purposes including determining the feasibility of the Plan.

Notice

31. Notice of this Motion has been provided by facsimile, electronic mail transmission, overnight delivery, and/or hand delivery to (i) the U.S. Trustee, (ii) counsel for the Committee, (iii) counsel for OCI, and (iv) all entities which have filed a written request for notice with the Court pursuant to Bankruptcy Rule 2002. The Debtor submits that no other or further notice need be provided.

No Previous Request

32. No previous request for the relief sought herein has been made by the Debtor to this or any other Court.

WHEREFORE, the Debtor respectfully requests that the Court enter the Order, substantially in the form attached hereto as Exhibit A, and grant such other and further relief as the Court deems just and proper.

Dated: July 26, 2011
New York, New York

Respectfully Submitted,

/s/ Allison H. Weiss
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Attorneys for the Debtor and Debtor in Possession

EXHIBIT A

(Order)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re :
: **Chapter 11**
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AMBAC FINANCIAL GROUP, INC., :
: **Case No. 10-15973 (SCC)**
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Debtor. :
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**ORDER FURTHER EXTENDING THE DEBTOR’S EXCLUSIVE PERIOD FOR
SOLICITING VOTES TO ACCEPT OR REJECT A CHAPTER 11 PLAN**

Upon the motion (the “Motion”)¹ of Ambac Financial Group, Inc., as debtor and debtor in possession in this chapter 11 case (the “Debtor”), for an order (this “Order”), pursuant to Bankruptcy Code section 1121(d), further extending the Debtor’s exclusive period for soliciting votes to accept or reject its Plan (the “Solicitation Exclusivity Period”) 90 days through and including December 5, 2011, without prejudice to the Debtor’s right to seek and obtain further extensions of the Solicitation Exclusivity Period, all as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. § 1334 and Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion and the deadline for objecting thereto having been provided; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and upon the record of the Hearing and all of

¹ Capitalized terms used but not defined herein shall have the meanings set forth in the Motion.

the proceedings had before the Court; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtor, its estate, its creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the relief requested having been withdrawn, overruled, or otherwise resolved; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that the Motion is granted; and it is further

ORDERED that pursuant to Bankruptcy Code section 1121(d), the Debtor's Solicitation Exclusivity Period is hereby extended 90 days through and including December 5, 2011; and it is further

ORDERED that this Order shall be without prejudice to the Debtor's right to seek and obtain additional extensions from the Court of the Debtor's Solicitation Exclusivity Period; and it is further

ORDERED that this Court shall retain jurisdiction in order to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

Dated: _____, 2011
New York, New York

THE HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE